

**CALIFORNIA PUBLIC UTILITIES COMMISSION**

Division of Water and Audits

**STANDARD PRACTICE FOR**  
**PROCESSING INFORMAL**  
**GENERAL RATE CASES**  
**OF WATER AND SEWER UTILITIES**  
**STANDARD PRACTICE U-9-SM**

**SAN FRANCISCO, CALIFORNIA**

October 2007

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# STANDARD PRACTICE FOR PROCESSING INFORMAL GENERAL RATE CASES OF WATER AND SEWER SYSTEM UTILITIES

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NOTE: THIS MEETING PLACE IS ACCESSIBLE TO THE DISABLED

### **A — PURPOSE AND SCOPE**

1. The purpose of this standard practice is to provide the utility and the staff engineer or analyst (Staff) with the steps and schedule to follow when processing an advice letter General Rate Case (GRC) for Class B, C and D (small) water and sewer system utilities.<sup>1</sup>
2. While many of the steps in this Standard Practice are required by the Public Utilities Code (Code), General Orders (G.O.) the Commission's Rules of Practice and Procedure (Rules), or Commission Decisions or Resolutions, in processing small water utility rate requests common sense and practicality must take precedence. A small company's lack of time or money can be a major deterrent to what is mandated "by the book". Consequently, staff is expected to exercise discretion in directing actions to be taken by the utility. Staff must maintain a courteous and business-like relationship with all parties in the proceeding. In all cases, if there is any doubt about what action to take, consult with your Project Manager or Supervisor.

### **B — HISTORY**

3. In May of 1968 the Commission authorized the 410 small water utilities with annual gross revenues of \$25,000 or less to file General Rate Cases (GRCs) by advice letter. Prior to that time even the smallest water company had to file a formal application<sup>2</sup>.

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<sup>1</sup> A Class A water or sewer system utility has more than 10,000 service connections. A Class B has 2,001 to 10,000. A Class C has 501 to 2,000, and a class D has 500 service connections or less

<sup>2</sup> From January 1, 1934 to May 1, 1934 the Railroad Commission approved eight unnumbered resolutions requesting water rate decreases on less than statutory notice. The first numbered water resolution, Order No. 1, dated May 2, 1934 authorized the Monterey County Water Works to decrease rates for fire hydrant service on less than 30 day notice. All subsequent resolutions were for similar reductions in rates on less

Later, Resolution W-3045, November 17, 1982 relieved the 260 Class D utilities from even having to file an advice letter for a GRC.<sup>3</sup> The latest authority to use the advice letter process for GRCs was provided by Commission Decision D.92-03-093, March 31, 1992, Ordering Paragraph 9. which states (emphasis in the original):

“9. General Order 96-A shall be amended to permit advice letter rate filings by all Class B water utilities, as well as by Class C and Class D water utilities, regardless of projected annual earnings. General order 96-A, Section VI., third paragraph, is amended to add an additional sentence as follows:

“Any utility or district of a utility may request authority for a general rate increase by an advice letter filing if the projected annual operating revenues, including the requested increase, are no greater than \$750,000. The revenue limitation does not apply to Class B, Class C, or Class D water utilities. This revenue limitation does not apply to the exchange telephone utilities.”

4. On August 25, 2005 the Commission authorized Great Oaks Water Company (the smallest Class A at the time) to file a GRC by Advice Letter. The approval was characterized as experimental.<sup>4</sup> The rates became effective July 1, 2006 by Advice Letter 177-W, in accordance with Commission Resolution W-4594, May 11, 2006.

#### **C — FILING AN INFORMAL GENERAL RATE CASE**

5. A Class D Water Utility will file the Class D Workpapers and Standard Data Request (see Appendix A). A Class B or C Water Utility will file the Class B and C Workpapers (see Standard Practice U-46-W). Each filing may include an advice letter requesting a Consumer Price Index (CPI) increase adjustable up or down to the just and reasonable revenue requirement. This advice letter shall identify that it is in compliance with Resolution (Res.) No. W-4658, September 20, 2007.

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than statutory notice, until Resolution 47-W, September 26, 1938 (Doc. Mgmt. #266882) which authorized Lorenzo Water Works to increase rates to the Boulder Creek Union School from \$125 to \$150 per year. This was the first known informal general rate increase; however, it seems to have been an anomaly. All other rate proceedings (starting with Case No 308, decided by Decision No. 608, April 25, 1913, “*In the Matter of the Rates and Service of San Gorgonio Water Company and the Beaumont Land and Water Company*”) and subsequent General Rate Cases (until Application No. 48981, Decision No. 7343, October 1967 “*Nicholls Warm Springs (Mesa Verde Water Co., 107 customers)*”) until 1968 were done by application and decision.

<sup>3</sup> “IT IS ORDERED that the Regulatory Lag Plan authorized by Resolution No. M-4705, dated April 24, 1979, is revised to 1. Eliminate the requirement for the filing of a draft advice letter and summary of earnings for Class D water utilities. 2. That a simplified summary of revenues, expenses and rate base be substituted for the advice letter and summary of earnings now required.”

<sup>4</sup> Resolution W-4556, August 25, 2005.

## **D — REVIEW**

6. Within seven days after being accepted, the draft AL workpapers will be assigned to the Utility Audit, Finance & Compliance Branch (UAFCB) and to a Supervisor (Project Manager) in the Water and Sewer Advisory Branch (WSAB), who will assign the GRC to a WSAB analyst (and update PAL accordingly). If it is a large or complex GRC the Supervisor may assign it to a Senior Engineer as Project Manager and to an analyst. The WSAB analyst will review the workpapers and an accountant or financial examiner (analyst) in UAFCB will also review the workpapers. The UAFCB analyst will prepare a cash flow study (see Appendix B). If the utility is identified as operating in the red on a cash flow basis, the WSAB analyst will prepare a Tier 1 advice letter to authorize an immediate rate increase adequate to meet the cash flow needs adjusted for inflation with rates subject to refund and the eventual rates retroactive to the date the resolution is approved. If no cash flow resolution is required, the WSAB analyst will prepare Tier 1 advice letter for a CPI increase, subject to refund and eventual rates retroactive to the date the advice letter is filed, per Res. W-4540. For utility filings with a future test year the rates shall be made effective on the first day of the test year, subject to refund.
7. For Class A and B utilities UAFCB will also determine a reasonable return on equity.
8. The WSAB analyst will:
  - a. Get the latest copy of the latest version of this standard practice.
  - b. Check that annual reports have been filed as required by G.O. 104-A. If the utility is not up to date with its annual reports, or if the reports are clearly in error, the analyst will inform the utility and the UAFCB and will discontinue processing until they are up to date. The analyst needs to apply judgment, since, if there are many years of reports missing or wrong, it could be difficult for the utility to reproduce them. At the very least, the latest annual report must be filed before any additional rate case work is done.

## **E — EXPEDITED GRC PROCESS**

9. The 2005 Commission Water Action Plan identifies several policy objectives including a regulatory decision making process that will benefit both utilities and ratepayers. The Commission will consider standardized and streamlined regulatory review for small water utilities (Class C & D) in lieu of a typical rate case. Further, the Commission will consider on a case-by-case basis, changes to the standard rate case plan that have the effect of streamlining the process and allow for the proceeding to move forward in a more expeditious manner.

10. Should a utility meet the "Checklist" criteria (described below), the streamlined rate case procedure will forgo the Public Meeting, Field Investigation and Staff Report.
11. In order for a utility to qualify for an expedited GRC, the Water Division will verify that required conditions are satisfied in checklist below:

**Checklist**

- ☐ Utility has provided adequate service since last GRC or filing;
  - ☐ Utility has a reliable water supply;
  - ☐ Utility provides safe drinking water supply;
  - ☐ A statement, letter, or email from the Department of Health Services (DHS) or local county health department indicating the water system is in compliance with all applicable standards;
  - ☐ Utility has no CPUC, DHS/County Health compliance orders;
  - ☐ Utility's infrastructure is in good condition based on DHS or County Environmental Health Department's Report or email;
  - ☐ No significant customer complaints;
  - ☐ Utility has filed Annual Reports for the three years prior to the GRC filing;
  - ☐ Annual compounded CPI-U increases, since the last authorized rate increase, are in line with requested increase;
  - ☐ Average rates are reasonable; and
  - ☐ Utility has no Safe Drinking Water Bond Act Loan (SDWBA) or the utility has met payment obligations under SDWBA Loan Agreement.
12. Depending on how well the utility meets the conditions outlined on the standard practice checklist, the public meeting, field investigation, and staff report may be forgone and the Division will draft a resolution for Commission consideration.

**F — NOTICE AND PUBLIC MEETING AND GRC SCHEDULE**

13. The analyst will then prepare the Notice by checking all of the calculations on the worksheets and the standard data request items for Class D filings or Class B and C filings for accuracy. Completion of these reviews enables the analyst to determine whether the filing is complete or needs further explanation or additional data. If the filing is not complete, the analyst will send a data request to the utility listing the information needed to make it complete. Upon receipt of this information and

verification of its accuracy, or if it is determined that the original filing is complete, the analyst will send an acceptance letter with the Notice to Customers (see Appendix C) and an Advice Letter for the utility to sign, requesting the increase in rates shown on the notice, to the utility.

14. The analyst will maintain a log of all data requests and telephone conversations with the utility. All data requests made orally must be followed by a letter signed by the Supervisor or Project Manager.
15. If the workpapers are in such poor condition that they cannot be used, the analyst will confer with the Project Manager about converting the filing to an outreach filing (Class D only). If it is an outreach filing, staff will prepare the workpapers and the AL if necessary.
16. The project manager sends the acceptance letter and draft Notice to Customers to the utility (see Appendix D) along with a complete advice letter for the utility to sign. The Notice to Customers is based upon the utility's request. The Commission may grant less, the same or more of a rate increase than that requested by the utility, without additional notice.<sup>5</sup>
17. This disposes of the draft advice letter. The utility submits its advice letter for the GRC by signing the advice letter attached to the acceptance letter. This starts the schedule for the advice letter General Rate Case.
18. It is the utility's responsibility to obtain a meeting place for the public meeting that is accessible to the handicapped. Once the analyst, project manager, and the utility agree on the date and place, the utility completes and distributes the notice. The analyst informs the Public Advisor (and the Los Angeles Public Advisor's office if the meeting is in Southern California) of the date and time of the meeting.
19. The analyst then produces a schedule of events, using the example in Appendix D. The analyst will fill in the actual anticipated calendar dates, considering other workload, vacations, training, holidays, etc. and forward it to the project manager. After approval by the PM and review by the supervisor, the analyst will send a copy to the utility and the WSAB branch chief.

## **G — PREPARATION FOR THE FIELD INVESTIGATION**

20. The analyst will do the following in order to finish the field trip with all of the information needed to complete the R/O report:

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<sup>5</sup> Memorandum from Joel T. Perlstein to Wes Franklin, October 23, 1986, Subj: Your inquiry concerning notice requirements where the Commission allows a rate increase that totals no more than the amount requested by the utility, but where, because of rate design, the rates to certain customers increase more than specified in the utility's notice of its rate increase application.

- a. Review prior Commission decisions, resolutions and the utility's correspondence files (602, 609). Check the compliance report to see if there are any delinquent items.
- b. Review prior GRC resolutions, workpapers and reports, if available. Compare the amounts authorized in the last GRC with the utility's request. This should help identify potential issues.
- c. Check with Consumer Affairs Branch for customer complaints.
- d. Review all replies to the Public Notice. Each reply must be answered. The analyst may use a form letter for general complaints, but will write a personalized letter for specific complaints.
- e. Check the local telephone book for the utility's listing. There should be adequate identification so the customers can contact the utility. The analyst will call the company during non-business hours to determine that the answering machine works.
- f. Call the State Department of Health Services or the local health department. The analyst will attempt to make an appointment to talk to the assigned engineer during the field trip and will invite him or her to the public meeting and the system inspection trip.
- g. Request the system map from the utility. This map is a requirement of G.O. 103, I.10.a.
- h. Make an appointment with the local fire chief or representative.
- i. Contact the utility to make sure it is prepared for the visit and has its books of accounts in order.
- j. Inform the utility representative ahead of time that he or she needs to make a presentation on the reasons the utility wants the increase. Request that the utility prepare a handout that summarizes its situation.

## **H — FIELD INVESTIGATION**

21. During the field trip, the analyst will meet with the county Environmental Health department or Department of Health Services engineer assigned to the utility to discuss the water quality history of the utility and any other information the health department has.
22. During the field inspection the analyst will.



### In the Utility's Office

- a. Using the system map, have the company explain how the system operates.
- b. Ask to see the utility's copy of its tariff book. It is a requirement of G.O. 96-A that the tariff book be available for public inspection.
- c. Ask to see the utility's complaint file. It is a requirement of G.O. 103, I.8. that the utility maintain a file for two years and a summary list for an additional three years.
- d. Ask for a leak map. This is a map showing the system with main leaks marked on it. Some small companies won't have one. It is not a requirement, but it is handy to have as it helps to determine when mains need replacement.
- e. Audit the utility's books of account as required by Public Utilities Code Section 314.5 to determine the accuracy of its records, verify expenses and plant additions and ensure conformance with the Uniform System of Accounts. If the utility has a Safe Drinking Water Bond Act loan (SDWBA), a Drinking Water State Revolving Fund loan (DWSRF), a principal and interest surcharge loan or is collecting facilities fees, audit the separate bank accounts for each of these funding sources. If the financing is complex, or there seem to be missing funds from the SDWBA or DWSRF loan, contact UAFCB for an audit.

### Field Inspection

- a. Inspect facilities. Determine the condition of the facilities, the type and location of supply sources, the location of any proposed additions, inspect any new construction and any prior ordered or authorized additions (particularly where money has been authorized in rate base), growth potential, current activities, compliance with G.O. 103, etc. Verify that any prior ordered or authorized additions have actually been installed.
- b. Take pictures of facilities.
- c. Take pressure readings, particularly at a high point or at a location distant from the source of water.
- d. Meet with the chief or representative of the local fire-fighting agency. Discuss pressure problems, fire flows, etc.

### Public Meeting (normally conducted by Project Manager)

- a. These meetings are usually held in the evening during the field trip; however, in some resort or vacation areas the meetings are scheduled on weekends. See Standard Practice U-11-W to find out how to adjust working hours for weekend meetings.
- b. The Project Manager will open the meeting and introduce the utility and other staff, then explain Commission procedures and the steps and scheduling of the rate case.
- c. The utility will then use its handout to make a presentation on the reasons for the increase and answers questions.
- d. The analyst will take notes. Upon return, the Project Manager will prepare a memorandum of the meeting and forward it to the analyst, the supervisor and the branch chief.
- e. If over 50% of the customers protest the proposed rate increase by letter or petition, then the Water Division will consider rejecting the advice letter and refer the GRC request to the ALJ Division to assign an application number, and the GRC will be processed as a formal proceeding<sup>6</sup>.

## I — STAFF REPORT

23. See Standard Practice U-3-W.
24. After the field trip, the analyst will identify any areas of concern, prepare an information sheet similar to Appendix E and send a copy to the Branch Chief, the Division Director and the utility.
25. The project manager will hold progress meetings to discuss the status of the Staff Report. As problem areas are identified, they will be communicated to the utility for potential resolution.
26. After the Project Manager approves the Staff Report, the division will mail a copy to the utility and to any person who requested one. The analyst will send an electronic copy to the WSAB branch chief and mark the document for "All CPUC read-only" access in Docs Open. The Branch Chief will publish the document to the Commission's Web site.

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<sup>6</sup> Memorandum from J. E. Kerr, General Counsel; I. R. Alderson, Chief ALJ; W. R. Ahern, Director, Utilities Division; B. A. Davis, Director, Rev. Req. Division; B. Barkovich, Director, Policy Division to Commissioners J. E. Bryson, President; R. D. Gravelle; L. M. Grimes; V. Calvo; P. C. Grew; June 10, 1982 (for June 15 1982 Conference) Subject: Conversion of Water Utility Advice Letter General Rate Increase Filings to Formal Applications and Rejection of Draft General Rate Increase Filings.

## **J — RESOLUTIONS**

27. Staff will prepare a resolution providing for an increase to Staff approved rates and place it on the agenda. The Utility shall notice the compliance advice letter and explain why these rates were approved. If the parties agree, this will be the final resolution and the notice to the customers informing them of the amount of increase and in general why it was authorized, the new rates and the effective date will be in the format of Appendix D. The utility will distribute the notice to its customers in the first subsequent billing. The resolution will be put on the Commission agenda and sent to the utility, and the utility's consultant, if any.
28. If parties disagree, Staff will negotiate with the utility on any items of disagreement. If they can reach consensus, staff will prepare a second resolution to the advice letter adopting the consensus position. If staff and the utility cannot resolve their differences, the utility will send a letter to the Branch Chief explaining its desires and justifying its position. The Branch Chief will respond to that letter within 14 days. If the utility doesn't agree with the Branch Chief's response, it may appeal to the Division Director. The Division Director will reply to the utility by letter. If the utility does not agree with the Director's response, the utility has two choices:
- (a) The Utility may send a written notice to the Branch Chief stating that the utility has exhausted its administrative appeals and setting forth briefly the nature of the dispute. Within 20 days of receipt, staff will forward the notice, along with a written response, to the Administrative Law Judge Division, with a copy to the utility. An assigned A:J will promptly schedule an informal hearing, without reporter, to hear the appeal request. Evidence will be taken under oath, and no attorney at law shall represent any party other than himself or herself. Within 30 days of hearing, the ALJ shall issue a brief recommended decision, which need not contain finding of fact or conclusions of law, and Branch shall incorporate that recommended decision in the advice letter rate resolution that is prepared for consideration by the Commission.<sup>7</sup>
  - (b) Alternatively, if the utility chooses not to follow the procedure described above, staff will prepare two advice letters, one containing the utility's position and the other containing the staff's position and put both on the Agenda for consideration by the Commission. If the Commission adopts one of these resolutions or a modification of one, or a new resolution, the utility will provide notice of the adopted position per Appendix D when it files to establish the rates.

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<sup>7</sup> D. 92-03-093, march 31, 1992, O.P. 7

29. The analyst will respond to any remaining letters from customers.

**K — FILE**

30. The analyst shall file all workpapers and a copy of the staff report in the file room under the utility's name and discard the prior GRC file except for any material that may need to be retained for future use.

# **CALIFORNIA PUBLIC UTILITIES** **COMMISSION**

## **INFORMAL RATE CHANGE WORKPAPERS For Class D Water Utilities Regulated by the CPUC**

*Workpapers for rate increases (decreases)*

WATER UTILITY NAME: \_\_\_\_\_

Name of Contact Person: \_\_\_\_\_

ADDRESS OF UTILITY: \_\_\_\_\_  
Street, P.O. Box and/or suite number

\_\_\_\_\_  
City and Zip Code

PHONE NUMBER  
of Contact Person: (       ) \_\_\_\_\_

Requested:

Increase (decrease) \_\_\_\_\_ (May not be more than Worksheet Page 1, Line 33)  
dollar amount

\_\_\_\_\_ (May not be more than Worksheet Page 1, Line 34)  
percent

### **INSTRUCTIONS:**

1. Have your latest annual report available.
2. Obtain a copy of your utility's latest GRC resolution or decision. (Water Branch will provide you a copy upon request)
3. Collect the information requested on the Standard Data Request Form.
4. Complete the entries in column A of page 1, using Schedule F of your latest annual report.
- 5. Do not include SDWBA surcharge funds or PUC reimbursement funds collected under Schedule UF.**
6. Complete page 2 using adopted quantities from the last GRC and the dollar value of investments made since the last GRC as recorded in your annual reports since the last GRC.
7. Using the proposed net revenue from page 2, estimate income tax using page 3
8. Complete the remainder of page 1. In choosing a Test Year, use the current calendar year if you file between January and June or the following year if you file between July and December. If any test year estimate differs sharply from the last recorded value, please include an explanation on a separate sheet.

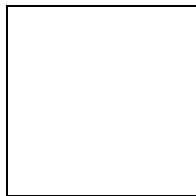
## APPENDIX A

### STANDARD DATA REQUEST

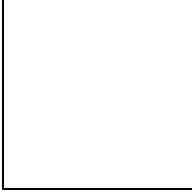
This is the standard data request enclosed with the informal rate change workbook. The information requested herein is necessary for the staff to evaluate a rate increase request, so we are requesting it at the outset of the process. Please provide the filled-in forms and the following information if applicable. Call the Water Advisory Branch at (415) 703-1739 if you have any questions.

1. Copies of electric bills for the last twelve months;
2. Copies of purchased water bills for the last twelve months;
3. Employee salary records (or wage rates and hours worked) and job descriptions for all employees;
4. A copy of the latest liability, auto, and worker's compensation insurance premium bills;
5. A summary of property, payroll, and franchise taxes with copies of the latest tax statements;
6. A statement of whether the utility expects to require major changes in operating expense or plant investment due to water quality regulation and what those changes will consist of;
7. A statement of needed or completed major repairs; and
8. Any changes to rate structures you wish to propose in this rate case.

## APPENDIX A

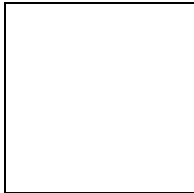


## APPENDIX A



**Facilities Fees.** A Facilities Fee is a connection charge for new customers that can be used to build new infrastructure or replace or repair existing infrastructure. Facilities fee revenues are not to be used for O&M expenses and cannot be booked to retained earnings.

Do you want a Facilities Fee? Yes \_\_\_\_ No \_\_\_\_\_. If so, how much? \$\_\_\_\_\_.



**END OF APPENDIX A**



## APPENDIX B

### **Instructions for Development of Cash Flow Analysis to Determine whether Interim Rates are Necessary for a Class C or Class D Water Utility**

1. Source for Data used in these calculations is the most recent Annual Report to the California Public Utilities Commission for the Class C or D Company as well as the Water Division Memorandum stating the CPI that will be used in the current year.
2. Cash Flow Model is shown as Table 1.
  - a. This Cash Flow Model adjusts Net Income (Loss) for Accrued Interest and changes in Depreciation, Depreciation on SDWBA Plant, Provision for losses on Accounts Receivable, SDWBA Trust Account, Accounts Receivable, Inventory, Prepaid Expenses, Accounts Payable, Accrued Expenses, Income Taxes Payable, Deferred Taxes, Deferred Credits, and Other Liabilities.
  - b. Staff shall verify Management Salaries shown in the Annual Report to those authorized in the company's last General Rate Case Decision or Resolution. The Management Salaries will be adjusted if they exceed what was previously authorized adjusted for inflation.
3. No matter what the Cash Flow figure is, the company shall receive an Interim Rate Adjustment based on the CPI (referenced above). This Interim Rate Adjustment is consistent with the intent of PU Code 455.2, which allows Class A water utilities to recover interim rates (based on the rate of inflation) that are subject to refund, in cases where the Commission decision is not issued on a timely basis (PU Code 455.2 is attached). The method Water Division Staff shall follow in the determination of both a Cash Flow Adjustment and an Interim Rate Adjustment are as follows:
  - a. The Resolution Authorizing an Interim Rate Adjustment shall include the following items:
    - i. The Interim Rate Adjustment is Subject to Refund.
    - ii. The Institution of Final Rates is Retroactive to the Effective Date of the Interim Rate Adjustment.
      1. For example, the Interim Rate Adjustment (Dated March 1) is an increase of \$1 over existing rates and the Final Rate (Dated June 1) is an increase of \$5 over those original existing rates.

## APPENDIX B

The company could then request recovery of \$4 for March, April, and May ( $\$5 - \$1 = \$4$ ).<sup>8</sup>

- b. If the Cash Flow is Negative, then an adjustment for both the Cash Flow and the Interim Rate Adjustment are necessary.
  - i. The Cash Flow Adjustment is equal to the negative amount determined in the Cash Flow Analysis.
    - 1. For example, if the result of the Cash Flow Analysis equals - \$100, then the Adjustment would equal +\$100.
  - ii. The Interim Rate Adjustment is calculated as follows:
    - 1. The interim rate is Subject to Refund.
    - 2. This Dollar Interim Rate Adjustment is calculated by multiplying the Gross Revenue from the most recent Annual Report filed with the CPUC times the CPI (from Water Division Memorandum).
      - a.  $\text{Gross Revenue} * \text{CPI} = \text{Dollar Interim Rate Adjustment}$
  - iii. The dollar figures for both the Cash Flow Adjustment and the Interim Rate Adjustment (as well as the CPI figure used) are provided to the Water and Sewer Advisory Branch, who then drafts a resolution ordering the institution of the Cash Flow Adjustment and the Interim Rate Adjustment.
- c. If the Cash Flow is Positive, then no adjustment for cash flow is necessary. Only an Interim Rate Adjustment is calculated:
  - i. The CPI used in this calculation is found in a Water Division Memorandum issued annually by the Water Branch.
  - ii. The interim rate is Subject to Refund.
  - iii. This Dollar Interim Rate Adjustment is calculated by multiplying the Gross Revenue from the most recent Annual Report filed with the CPUC times the CPI (from Water Division Memorandum).
    - 1.  $\text{Gross Revenue} * \text{CPI} = \text{Dollar Interim Rate Adjustment}$

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<sup>8</sup> See D.07-12-055 at 69.

## APPENDIX B

- iv. The dollar figure as well as the CPI figure are used by Water Branch to draft a resolution ordering the institution of this Interim Rate Adjustment.

## APPENDIX B

<b>TABLE 1</b>				
<b>EXAMPLE WATER COMPANY</b>				
Source: 2004/2003 Annual Report	Acct. #	2004	2003	Operations
Inc. (Dec.) in Cash and Cash Equivalents				
Cash flows from operating activities:				
<b>A. Net Income (Loss) (Sch. F, Ln 43)</b>		<b>-6000</b>		<b>-6,000</b>
Adjustments to Reconcile Net Income to				
Net Cash Provided by Operating Activities				
Accrued Interest (Sch. A)	237	0	0	
Depreciation (Sch. A) Inc./Dec.)	108	150,000	145,000	5,000
Depr. SDWBA Plant (Sch. A) Inc./Dec.)	108.1	0	0	
Provision for Losses on Accts. Receivable		0	0	0
SDWBA Trust Acct. (Sch. A) (Inc.)/Dec.	132	0	0	
Accounts Rec. (Sch. A) (Inc.)/Dec.	141,142,143	900	6,000	5,100
Inventory (Sch. A) (Inc.)/Dec.	151	0	0	0
Prepaid Expenses (Sch. A) (Inc.)/Dec.	174,180	0	0	0
Accts. Pay. & Acc. Exp. (Sch. A) Inc./Dec.)	231	0	0	0
Income Taxes Pay. (Sch. A) Inc./Dec.)	236	0	0	0
Deferred Taxes (Sch. A) Inc./Dec.)	255,282,283	0	0	0
Deferred Credits (Sch. A) Inc./Dec.)	253	0	0	0
Other Liabilities (Sch. A) Inc./Dec.)	233,241	0	0	0
<b>B. Total Adjustments</b>				<b>10,100</b>
<b>C. Cash Inflow Fr. Operating Activities (A.+B.)</b>				<b>\$ 4,100</b>
Cash Flows Fr. Investing Activities:				
Plant (Sch. A, Ln 6) (Inc.)/Dec.	100	165,000	160,000	5,000
<b>D. Cash Outflow Fr. Investing Activities</b>				<b>5,000</b>
Cash Flows Fr. Financing Activities:				
Advances (Sch. A) Inc./Dec.)	252		0	0
Contributions (Sch. A) Inc./Dec.)	271	0	0	0
CIAC Amortization (Sch. A-3, Ln 4)	272	0	0	0
Pymnt. of Loan (Sch. A, Ln 12&16) Inc./Dec.)	224	15,000	10,000	5,000
Dividends Paid			0	0
Advances Fr. Asso. Co. (Sch. A) Inc./Dec.)	225		0	0
<b>E. Cash Outflows Fr. Financing Activities</b>				<b>5,000</b>
<b>F. Net Changes in Cash and Cash Equivalents (C.+D.+E.)</b>				<b>\$ 14,100</b>
<b>G. Cash and Cash Equivalents at Beg. of Yr. (Sch. A(d) Balance Sheet, Ln 19)</b>				<b>45,000</b>
<b>H. Cash and Cash Equivalents at End of Yr. (F.+G.)</b>				<b>59,100</b>
<b>End Cash per Balance Sheet</b>				<b>44,000</b>
<b>Trinity Village Water Company</b>				
AL # 10 6/11/01 - Authorized ROR	11%			
CPI Increase of 3.4% times \$55,000 (Gross Rev from 2004 Annual Report)				1,887.00
		2004		
Utility Operating Income		-5,940		
Add:				
Depreciation		5,000		
Positive (Negative) Cash Flow		\$ (940)		
<b>Cash Flow from Operating Activities</b>		<b>\$ 4,100</b>		
<b>RECOMMENDATION:</b>				
Cash flow from operating activities is -\$4,227.				
Recommends an rate increase based on cash flow analysis (subject to refund) of \$4,300				
Recommends an interim rate adjustment to account for CPI of \$1,900.				

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## Appendix C

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, *Governor*

### PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Date

File No: 602-19

Owner  
Company  
Company Address

Dear Mr. Owner:

This is to acknowledge receipt of your draft advice letter rate increase request, which was received by the Water Division on \_\_\_\_\_. The Branch has completed its preliminary review of your submittal and finds it complete for filing as of today.

In order to promote greater awareness during the rate increase process and to avoid later claims of lack of due process, we require that a public meeting be held to afford customers the opportunity to be heard and to ask questions about the proposed increase and the approval process.

We request that you arrange for a suitable meeting room which must be accessible to the handicapped. The time and place of the meeting should be convenient to the water company's customers. Please contact \_\_\_\_\_ at the telephone number below to make sure the date is convenient for all concerned.

Please date and distribute the approved notice to each customer. This may be by mail or otherwise, but should be received by the customer at least 20 days before the public meeting date. In addition to mailing the notice to all customers of record, you should also distribute a sufficient number of copies to your customers who submeter others (if any) and request that they make a distribution to their submetered users. After distributing the required notice, provide a copy of that notice along with a statement of how (eg, by mail, by hand delivery) and when (the date) the customer notice was distributed to the following Commission offices: (1) the Consumer Affairs Branch; (2) the Public Advisor; and (3) the Water Branch of the Water Division.

The company's representative(s) at the public meeting should be prepared to discuss and answer customer questions concerning the need for an increase, operation of the system, and other problems.

The Branch will evaluate any letters received from the utility's customers and will correspond with you regarding further processing of your request for an increase in rates.

If you have any further questions in this matter, please contact \_\_\_\_\_ at (415) 703- \_\_\_\_\_. We appreciate your cooperation in this matter.

Very truly yours,

\_\_\_\_\_, Project Manager  
Water Branch  
Water Division

Enclosure

## Appendix C

August , 2004

### NOTICE OF PROPOSED RATE INCREASE AND PUBLIC MEETING WITH THE PUBLIC UTILITIES COMMISSION STAFF

\_\_\_\_\_ Water Company Corporation (\_\_\_\_ WC), has requested authority from the CALIFORNIA PUBLIC UTILITIES COMMISSION to increase its water rates by \$ \_\_\_\_\_ or \_\_\_\_\_ % in test year 200\_ and by an additional \$ \_\_\_\_\_ or \_\_\_\_\_ % in test year 200\_ over present rates, which have been in effect since \_\_\_\_\_, 200\_. The increase is necessary to offset increased operating expenses and to provide an adequate rate of return.

The Commission staff will hold a public meeting on \_\_\_\_\_, \_\_\_\_\_, 20\_\_ at 7pm at the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, CA, to explain the increase process and received public input.

If the Commission determines that \_\_\_\_\_ Water Company is operating in the red on a cash flow basis, or needs a cost of living increase, the Commission may consider authorizing an interim rate increase. This interim increase is subject to refund pending the final resolution of the general rate increase request.

The company proposes to increase rates as follows:

#### Quantity Rate:

	<u>Present Rates</u>	<u>Proposed Rates</u>
All usage per 100 cu.ft.	\$ _____	\$ _____

#### **A.**

#### Service Charge:

Per Meter Per Month

	<u>Present Rates</u>	<u>Proposed Rates</u>
For 5/8x3/4-inch meter	\$ _____	\$ _____
For 3/4-inch meter	_____	_____
For 1-inch meter	_____	_____
For 1-1/2-inch meter	_____	_____
For 2-inch meter	_____	_____
For 3-inch meter	_____	_____
For 4-inch meter	_____	_____

The Service Charge is a readiness to serve charge, which is applicable to all metered service and to which is added the utility charge computed at Quantity Rates.

**END OF APPENDIX C**

## B. Fire Protection Service:

Monthly Service Charge:

	<u>Present Rates</u>	<u>Proposed Rates</u>
For 4-inch meter	\$ _____	\$ _____
For 6-inch meter	\$ _____	\$ _____

The Commission staff will make a thorough investigation of the utility's request. Following the investigation, the Commission may grant the utility's request in whole or in part, or may deny it. It may also order the utility to charge rates different from those shown in this notice.

The public meeting is informal and affords customers the opportunity to ask questions and express their views. \_\_\_WC will have representatives there to explain the reasons for the proposed increase. Likewise there will be a Commission Staff representative who will conduct the meeting and explain how the staff will analyze the proposed rates and fee increases.

California law requires the company to show to the Commission's satisfaction that an increase is justified before it may raise its rates. Customers who would like to call the Commission's attention to any problems concerning their water service, or who would like to provide any other information or comments regarding this requested increase should do so at the public meeting and/or should write to the Commission.

There are two ways to respond to this notice. You may send a protest to the CPUC and, if you do, you must send a copy of the protest to the utility, or you can send a response to the CPUC.

## Protests and Responses

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter filing. A response is a document that does not object to the authority sought, but nevertheless presents information that the party tendering the response believes would be useful to the Commission in acting on the request.

A protest must be mailed within 20 days of the date of this notice. A protest must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant, and the reasons the protestant believes the advice letter or part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter.



## Appendix D

All protests or responses to this filing should be sent to both of the following addresses and should mention that they pertain to \_\_\_\_\_ **Water Company**:

California Public Utilities Commission  
Division of Water and Audits, Room 3106  
Fax: (415) 703-2655  
505 Van Ness Avenue  
San Francisco, CA 94102  
E-mail: *water\_division @cpuc.ca.gov*

Comments must be sent no later than twenty (20) days after the date of this notice was sent.

And to this utility at:

\_\_\_\_\_ Water Co.

\_\_\_\_\_  
\_\_\_\_\_

Fax: \_\_\_\_\_

If you have not received a reply to your protest from the utility within 5 business days, contact \_\_\_\_\_ Water Company at (\_\_\_\_) \_\_\_\_\_.

A copy of \_\_\_\_\_ Water Company filing may be inspected in its business office at: \_\_\_\_\_, \_\_\_\_\_, CA \_\_\_\_\_. By calling \_\_\_\_\_, you may request a copy to be mailed to you. You will be billed for the copies at \$0.\_\_\_\_ per page.

Further information may be obtained from the utility at its business office or from the Commission at the above address.

**NOTE: THE MEETING PLACE IS ACCESSIBLE TO THE DISABLED**

END OF APPENDIX D

## Appendix E

### “Service Guarantee Plan”

#### **GRC PROCEDURES**

##### Time Schedule

<u>Activity</u>	<u>Day</u>
<u>PHASE I</u>	
Filing received by Water Utilities Branch	0
Reviewed - for completeness of filing. If filing incomplete, prepare data request for project manager’s signature.	7
Assigned to auditor for cash flow analysis and need for interim rate relief.	7
If complete as filed, Acceptance Letter and Notice to Customers mailed to utility - A.L. considered filed.	14
Resolution prepared granting cash-flow interim increase (if needed)	45
<u>PHASE II</u>	
After filing is accepted, assigned to staff analyst to complete investigation - Utility provides notice to customers	14
Field Investigation and Public Meeting Conducted - last day to add or modify filing	45
Staff Report to Project Manager for Review	95

## Appendix E

Staff Report completed and mailed to Utility and any customers who requested one at the Public Meeting. Project Manager submits Commission Resolution based on staff Results of Operations report.	105
If not accepted, schedule meeting with Supervisor and utility	120
Resolution approved.	125
If issues not resolved, utility appeals to Branch Chief, then Water Division Director.	130 135
If issues not resolved, utility requests hearing, branch contacts Chief ALJ for hearing. - Hearing held, decision rendered.	155
Final Resolution (if necessary) completed by Project Manager	165
Final Action by Commission-Resolution approved.	185
Staff completes tariff book; Utility requested to sign tariffs and include notice of “final” increase in first bill to customers.	190
Staff analyst files Report, resolution and work papers.	195

Appendix F

REGULATED WATER COMPANY (RWC) (WTD 999)

P.O. BOX 123  
ANYWHERE, CA 92004  
(REGULATED COUNTY)

Office: 456 Palm Drive  
ANY CA 92004  
(619) 767-5314: Alice G.(Jere) Hansen(Secy)  
Receptionist: Diane

President: J. Regulated (New Jersey)

Phone: O: (908) 541-XXXX

H: (908) 656-XXXX

Accountant: M. A. Expert

Phone: (310) 498-XXXX (Secretary: Lara)

(310) 498-XXXX

DHS contact: Steve Sniff, Sanitary Engineer

(619) 525-XXXX

Case Filed: November 16, 1995

Accepted by Branch: February 23, 1996

Notice Published on March 7 & also mailed toward the end of February 1996 with  
customers water bill.

Public Meeting: Tuesday, April 2, 1995 at 7:00 p.m. at La Casa Del Zorro Resort Hotel

Last GRC: Resolution No. W.-3XXX, dated July 22, 1992

\$67,388 or 12.65% increase, 11.56% ROR

Last Offset: DHS Surcharge, November 18, 1995

Last Increase: CPI-U of 2.7%, October 10, 1994

RWC Proposed Revenues: \$749,260 Test Year 1996)

RWC Current Revenues: \$603,764

RWC Proposed increase: \$145,496 or 24%

RWC Proposed ROR: 13.50%

CPUC Approved ROR Range: 13.00% to 13.50% = 13.25% Avg.

Service Connections: 1,131 Metered (End of 1995)

CPUC Adopted in 1992: 1,052 Metered

Unusual Expenses:

Rate Base Proposed: \$1,083,098

Rate Base Adopted: \$ 818,851

Employee Labor Proposed: \$99,421

Adopted: \$69,350

Management Salaries Proposed: \$20,183

Adopted: \$11,000

Professional Services Proposed: \$26,071

Adopted: \$15,640